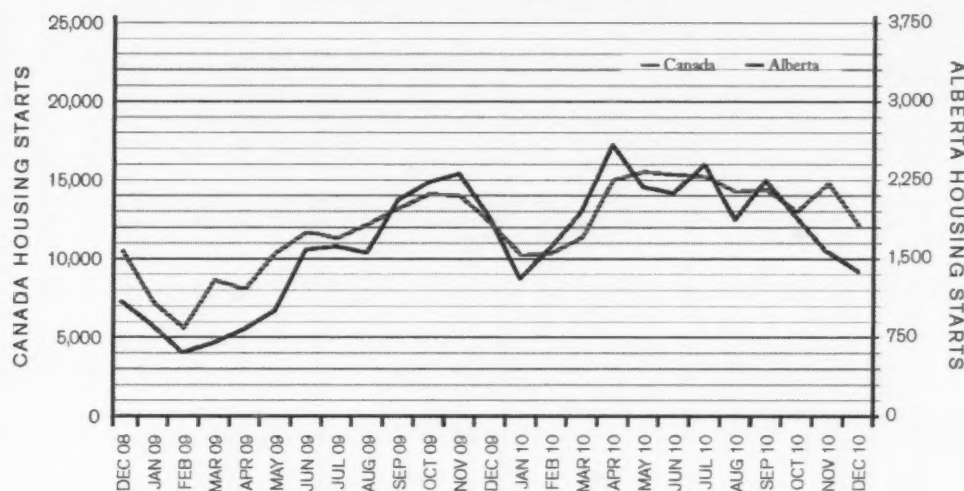


HOUSING BULLETIN MONTHLY REPORT

1

ALBERTA'S PRELIMINARY HOUSING STARTS DECLINED IN JANUARY 2011

Preliminary Housing Starts in Alberta* and Canada*,
January 2009 to January 2011



* Data reflects centres with a population of 10,000 and over.
Source: Canada Mortgage and Housing Corporation

- Canada's total preliminary housing starts for January 2011 declined 19 per cent over December 2010 and declined 6 per cent compared to January 2010.
- Across Alberta, preliminary housing starts declined 19 per cent year-over-year from 1,317 units in January 2010 to 1,114 units in January 2011. Month-over-month housing starts declined 20 per cent.
- According to Canada Mortgage and Housing Corporation (CMHC), new construction in Canada is expected to moderate in the early months of 2011. Nevertheless, CMHC is anticipating the pace of single-detached starts to improve later in the year.

ISSUE HIGHLIGHTS

Consumer Price Index

Alberta's shelter costs stabilize following years of rapid growth.

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Household Financial Vulnerability

Albertan's experience heightened risk.

Page 4

Rental Rates

Rental rates and vacancy rates increase across rural Alberta.

Page 5

The downtrend in housing starts suggests that residential construction in real terms will continue to lose ground

(DESJARDINS ECONOMIC STUDIES).

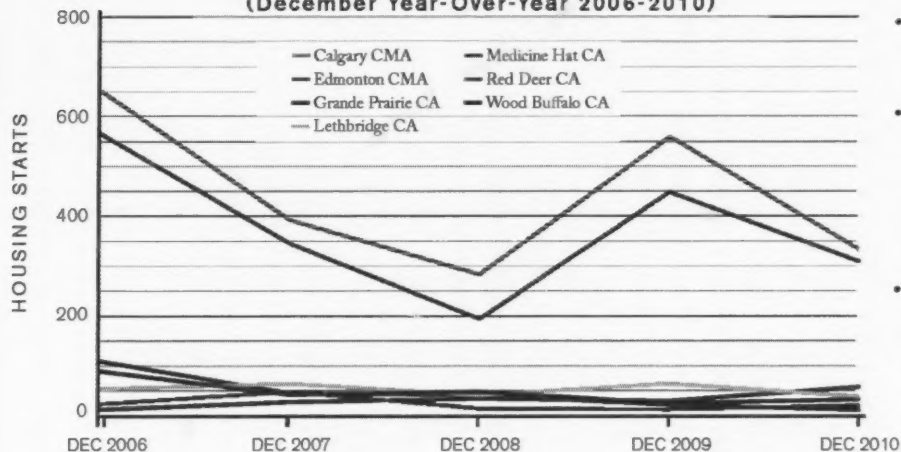
is unsustainable (RE/MAX). House prices climbed an average of 6.8 per cent every year from January 2000 to December 2010, a pace of growth that is unsustainable (RE/MAX). House prices climbed

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SINGLE-DETACHED HOUSING STARTS SHOW MIXED PERFORMANCE ACROSS ALBERTA'S SEVEN MAJOR CENTRES

Actual Housing Starts - Single-Detached
(December Year-Over-Year 2006-2010)

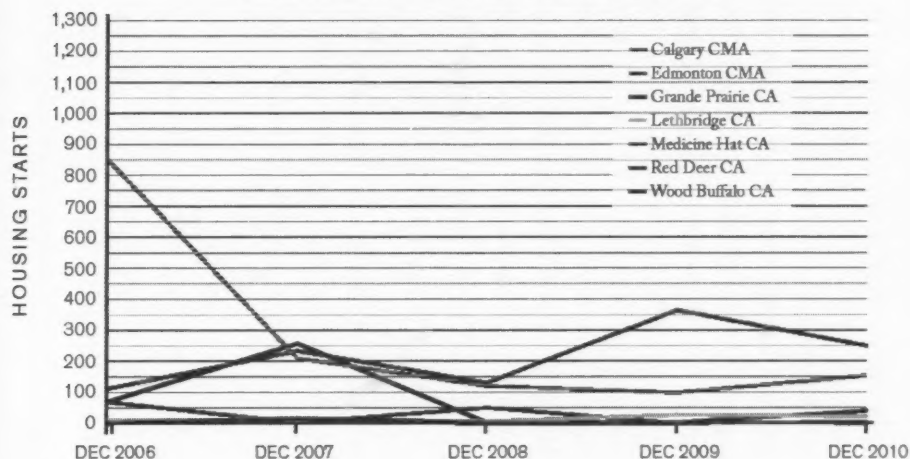


Source: Canada Mortgage and Housing Corporation

- Across Alberta, single-detached housing starts fell 30.7 per cent from December 2009 to December 2010.
- In Calgary, Edmonton, Lethbridge and Red Deer, single-detached housing starts fell 40.4 per cent, 31 per cent, 40 per cent and 45.5 per cent, respectively, from December 2009 to December 2010.
- In Grande Prairie, Medicine Hat and Wood Buffalo, single-detached housing starts increased 32 per cent, 61.5 per cent and 93.3 per cent, respectively, year-over-year.

MULTI-FAMILY HOUSING STARTS DECLINED ACROSS MOST of ALBERTA'S MAJOR CENTRES

Actual Housing Starts - Multi-Family Dwellings
(December Year-Over-Year 2006-2010)



Source: Canada Mortgage and Housing Corporation

- Multi-family housing starts increased in four of Alberta's seven major centres in December 2010. Although Calgary, Grande Prairie, Medicine Hat and Red Deer all experienced an increase in multi-family housing starts, Alberta's seven major centres averaged a decline of 5.5 per cent year-over-year.
- In Edmonton, multi-family housing starts totalled 249 units in December 2010, representing a decline of 31.6 per cent from the 364 units built in December 2009.
- In Calgary, multi-family housing starts totalled 153 units in December 2010, a 56.1 per cent increase from the 98 units built in December 2009.

"I think the next decade may remind people that real estate is first and foremost a consumption choice about where you live and can't be counted on as a perpetually rising asset" (CIBC ECONOMIST).

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EDMONTON RESALE PRICES DIP in ALL SECTORS of the MARKET

Year-over-Year Comparison of Housing Resale Activity in Edmonton in the Month of January

| | AVERAGE PRICE | | | Days on the Market | Residential Listings | Residential Sales | Monthly Sales to Listings Ratio | Average Year to Date Sales to Listings Ratio |
|--------|-------------------------------|-------------|----------------------|--------------------------|-------------------------|----------------------|--|---|
| | Single- Family Dwelling | Condominium | Duplex / Rowhouse | | | | | |
| Jan 07 | \$357,526 | \$233,078 | \$294,147 | 33 | 2,118 | 1,554 | 73 | 73 |
| Jan 08 | \$379,566 | \$257,956 | \$301,756 | 63 | 3,408 | 1,227 | 36 | 36 |
| Jan 09 | \$352,688 | \$238,534 | \$299,222 | 69 | 2,433 | 730 | 30 | 30 |
| Jan 10 | \$364,637 | \$241,125 | \$302,345 | 53 | 2,129 | 931 | 43 | 43 |
| Jan 11 | \$356,276 | \$220,994 | \$297,587 | 67 | 2,142 | 735 | 34 | 34 |

Source: Realtors' Association of Edmonton

- The average price of a single-family dwelling in Edmonton decreased 2.3 per cent from January 2010 to January 2011. Over the same period, the average price of condominiums fell 8.3 per cent and 1.6 per cent for duplexes and rowhouses.
- Residential listings in January 2011 rose 0.6 per cent year-over-year; however, sales were down 21.1 per cent.
- According to the President of the Realtors' Association of Edmonton, traditionally the market dips in December, but sales activity is expected to increase along with spring temperatures and continue all through the first two quarters.

SINGLE-FAMILY HOME SALES in CALGARY RISE YEAR-OVER-YEAR

Year-over-Year Comparison of Housing Resale Activity in Calgary in the Month of January

| | SINGLE-FAMILY DWELLING | | | | | CONDOMINIUM | | | | |
|--------|------------------------|---------------------------|--------------------------|-------|--------------------------|------------------|---------------------------|--------------------------|-------|--------------------------|
| | Average Price | Month End Inventory | New Listings Added | Sales | Days on the Market | Average Price | Month End Inventory | New Listings Added | Sales | Days on the Market |
| Jan 08 | \$455,297 | 3,997 | 3,023 | 1,083 | 50 | \$311,232 | 1,926 | 1,406 | 454 | 48 |
| Jan 09 | \$413,049 | 4,040 | 2,068 | 550 | 62 | \$270,940 | 1,923 | 941 | 225 | 64 |
| Jan 10 | \$441,217 | 2,513 | 1,822 | 762 | 43 | \$282,639 | 1,397 | 951 | 376 | 50 |
| Jan 11 | \$454,163 | 3,073 | 1,965 | 791 | 56 | \$288,291 | 1,634 | 870 | 302 | 61 |

- The number of single-family homes sold in Calgary increased 3.8 per cent and prices increased 2.9 per cent year-over-year in January 2011.
- In January 2011, the number of condominiums sold in Calgary decreased 19.7 per cent year-over-year while prices increased 2.0 per cent.
- New listings increased 7.8 per cent for single-family homes, and decreased 8.5 per cent for condominiums from January 2010 to January 2011.

- According to the president of the Calgary Real Estate Board, Calgary is seeing a recent increase in the sale of homes below the \$350,000 price point, which may suggest that more first-time home buyers are entering the market—providing the fuel needed for a sustained housing market recovery.

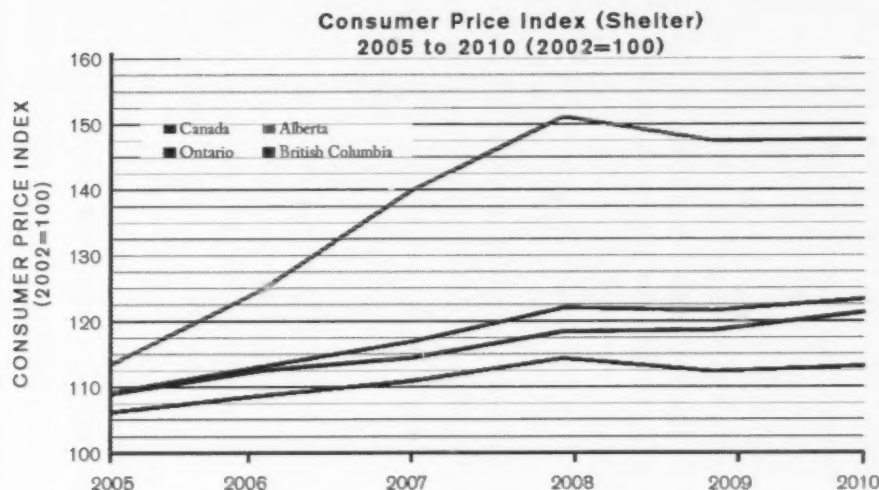
Source: Calgary Real Estate Board

ory (CREB). The recovery in 2011 will be incremental and gradual. Nonetheless, at the moment Calgary is offering buyers a great deal of affordability, low interest rates and a large selection of inventory (CREB). The rec

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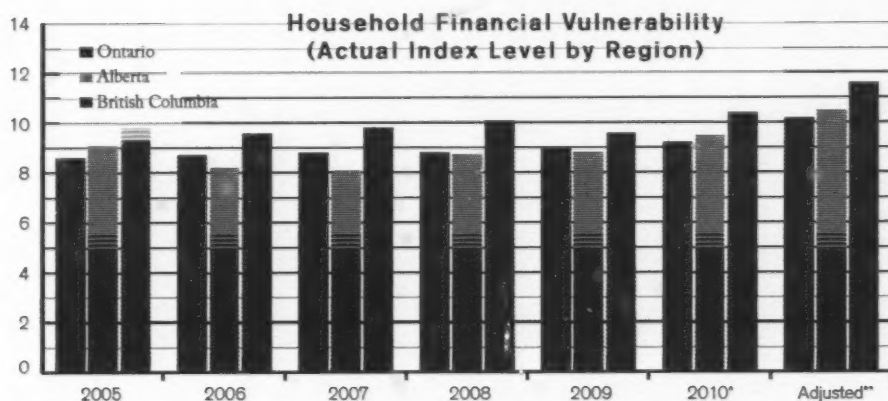
ALBERTA SHELTER COSTS STABILIZE FOLLOWING YEARS of RAPID GROWTH



Source: Realtors' Association of Edmonton

- The Consumer Price Index (CPI) is an indicator of change in consumer prices experienced by Canadians. It is obtained by comparing the cost of a fixed basket of commodities through time. Shelter is a major component of the CPI basket of goods that can be viewed as a single entity to estimate average household expenditures on shelter costs.
- Over the last five years, shelter costs in Alberta have outpaced those of British Columbia and Ontario, as well as the national average.
- In 2010, shelter costs in Alberta increased 0.1 per cent year-over-year. Between 2005 and 2010 shelter prices in Alberta increased 30 per cent compared to 12 per cent across Canada.

ALBERTANS at RISK of INCREASING FINANCIAL VULNERABILITY



- The three main components of the federal government's mortgage policy are reducing amortization period from 35 to 30 years, reducing the maximum refinancing amount, and removal of federal backing for home equity lines of credit.

* Includes first three quarters of 2010.

** 2010 Index is adjusted with the assumption of an overnight rate at 3.0%.

Source: TD Economics

- Due to growing worries about excessive debt levels across Canada and the overall state of Canadian household balance sheets, TD Economics developed an index to gauge the relative financial vulnerability of Canadian households.
- Alberta households rank second across Canada in terms of vulnerability, with British Columbia recording the highest level of vulnerability.
- New mortgage policies, instituted by the federal government, are intended to prevent further growth in Canadian household debt, taking into account the likely rise in interest rates ahead.

Vulnerability has been increasing from coast to coast over the past two years. The rising household debt-to-income and home price-to-income ratios have been the major catalysts driving up vulnerability (TD ECONOMICS).

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RENTAL RATES SEE MODEST INCREASE ACROSS RURAL ALBERTA

| Rental Unit Type | AVERAGE RENTAL RATES | | | DOLLAR CHANGE | | PERCENTAGE CHANGE | |
|------------------|----------------------|-------|-------|---------------|---------|-------------------|---------|
| | 2008 | 2009 | 2010 | 2008/09 | 2009/10 | 2008/09 | 2009/10 |
| Bachelor | \$510 | \$527 | \$535 | \$17 | \$8 | 3.3% | 1.5% |
| One-Bedroom | \$603 | \$627 | \$640 | \$24 | \$13 | 3.9% | 2.0% |
| Two-Bedroom | \$711 | \$736 | \$751 | \$25 | \$15 | 3.5% | 2.0% |
| Three-Bedroom | \$804 | \$846 | \$844 | \$42 | \$-2 | 5.2% | -2.0% |
| Four-Bedroom | \$1,030 | \$968 | \$996 | \$-62 | \$28 | -6% | 2.8% |

- Across rural Alberta*, rental rates increased modestly for the majority of rental unit types. In 2010, rental units experienced an average increase of 1.3 per cent year-over-year.
- Four-bedroom rental units increased by \$28 in 2010 from \$968 in 2009 to \$996. Four-bedroom rental units experienced the greatest price increase in 2010, averaging 2.8 per cent.
- Three-bedroom rental units were the only rental unit type to experience a price decline in 2010. Three-bedroom rental units dropped from \$846 in 2009 to \$844 in 2010, a decrease of 0.2 per cent.

* The *Apartment Vacancy and Rental Cost Survey 2010* includes communities with a population between 1,000 and 9,999 people, 30 or more rental units and communities not included in the Canada Mortgage and Housing Corporation's bi-annual Rental Market Survey.

<http://www.housing.alberta.ca/documents/2010ApartmentVacancyAndRentalCostSurvey.pdf>

Source: Apartment Vacancy and Rental Cost Survey

VACANCY RATES INCREASE ACROSS MOST of RURAL ALBERTA

Average Vacancy Rates by Building Type in Rural Alberta*, 2010

| Building Type | AVERAGE VACANCY RATES | | % CHANGE |
|---------------|-----------------------|-------|----------|
| | 2009 | 2010 | 2009/10 |
| High-rise | 18.9% | 23.8% | 4.9% |
| Store-top | 10.9% | 10.6% | -0.3% |
| Row-housing | 8.4% | 9.0% | 0.6% |
| Walk-up | 8.3% | 10.5% | 2.2% |
| Other | 8.3% | 12.0% | 3.7% |
| Four-plex | 6.1% | 6.8% | 0.7% |
| Total | 8.1% | 9.8% | 1.7% |

- The average vacancy rate for all building types increased by 1.7 per cent from 2009 to 2010. Store-top structures were the only exception, where vacancy rates decreased by 0.3 per cent.
- In 2010, the vacancy rate for high-rise buildings was 23.8 per cent, an increase of 4.9 per cent year-over-year.
- In 2010, four-plex buildings had the lowest vacancy rate of 6.8 percent.

* The *Apartment Vacancy and Rental Cost Survey 2010* includes communities with a population between 1,000 and 9,999 people, 30 or more rental units and communities not included in the Canada Mortgage and Housing Corporation's bi-annual Rental Market Survey.

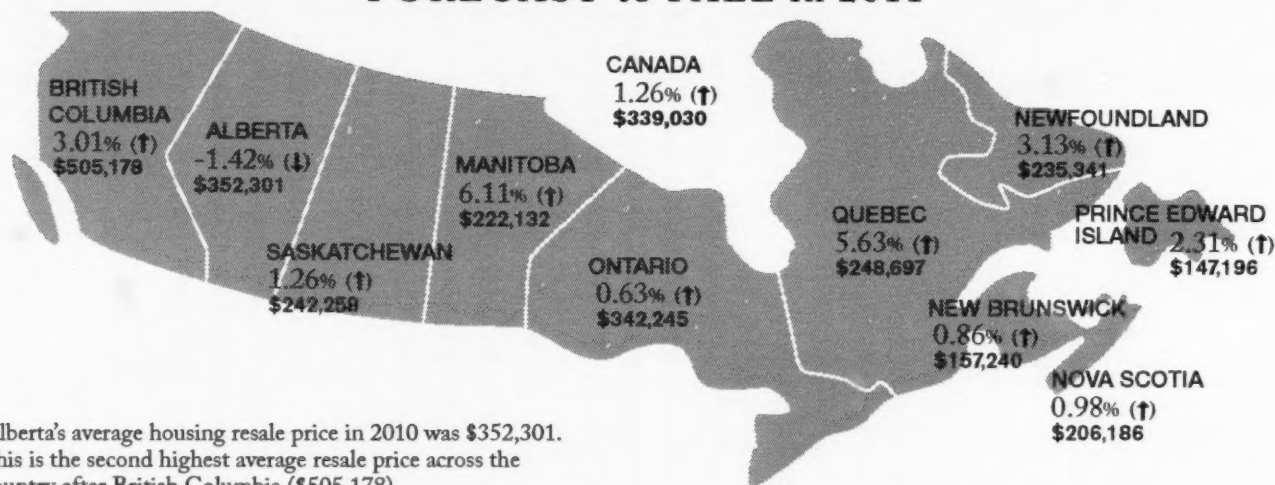
Source: Apartment Vacancy and Rental Cost Survey

raphic demand (BM0). Canadian residential construction activity continues to simmer down to a level more indicative of underlying demographic demand (BM0). Canadian residen

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UNLIKE OTHER PROVINCES, ALBERTA HOME PRICES FORECAST to FALL in 2011



- Alberta's average housing resale price in 2010 was \$352,301. This is the second highest average resale price across the country after British Columbia (\$505,178).
- Home sale activity in 2010 was highest in Ontario (195,591) followed by Quebec (80,126), British Columbia (74,640) and Alberta (49,723).
- According to the Canada Real Estate Association (CREA), the national average home price is forecast to rise 1.3 per cent in 2011 and 2012 to \$343,300 and \$347,900, respectively.
- Although the supply of new listings is expected to trend higher, the expected continuation of sellers' market conditions in Manitoba is forecast to result in a bigger percentage increase in average price in 2011 and 2012 compared to other provinces.

Source: CREA

RESIDENTIAL MARKET FORECAST ACROSS CANADIAN PROVINCES, FEBRUARY 2011

| | SALES ACTIVITY FORECAST | | | AVERAGE PRICE FORECAST | | |
|----------------------|-------------------------|---------------|---------------|------------------------|---------------|---------------|
| | 2010 | 2011 Forecast | 2012 Forecast | 2010 | 2011 Forecast | 2012 Forecast |
| Canada | 447,010 | 439,900 | 453,200 | 339,030 | 343,300 | 347,900 |
| British Columbia | 74,640 | 72,500 | 77,400 | 505,178 | 520,400 | 523,300 |
| Alberta | 49,723 | 52,650 | 55,300 | 352,301 | 347,300 | 352,300 |
| Saskatchewan | 10,872 | 11,500 | 11,850 | 242,258 | 245,300 | 247,700 |
| Manitoba | 13,164 | 13,800 | 14,150 | 222,132 | 235,700 | 249,800 |
| Ontario | 195,591 | 185,500 | 187,900 | 342,245 | 344,400 | 344,600 |
| Quebec* | 80,126 | 81,000 | 83,050 | 248,697 | 262,700 | 273,500 |
| New Brunswick | 6,702 | 6,600 | 6,800 | 157,240 | 158,600 | 159,400 |
| Nova Scotia | 10,036 | 10,350 | 10,550 | 206,186 | 208,200 | 212,300 |
| Prince Edward Island | 1,487 | 1,550 | 1,570 | 147,196 | 150,600 | 152,000 |
| Newfoundland | 4,236 | 4,100 | 4,250 | 235,341 | 242,700 | 246,500 |

- In Canada, resale activity is forecast to decline by 1.6 per cent in 2011. The average home price is expected to increase by 1.3 per cent over the same period.
- In Alberta, home resale activity is forecast to increase 6 per cent from 2010 to 2011. The average home price is expected to decline 1.4 per cent over the same period.
- Although Alberta has the highest 2011 sales activity forecast in Canada, Alberta is the only province where the average home price is forecast to decline.

Source: CREA

mer confidence grows (CREA). Home sale activity is expected to gain traction after dipping in the second quarter as job growth continues and consumer confidence grows (CREA). Home sale act

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